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P 221423Z MAR 07
FM AMEMBASSY HARARE
TO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY PRIORITY
RUEHC/SECSTATE WASHDC PRIORITY 1284
INFO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
RUEHUJA/AMEMBASSY ABUJA 1534
RUEHAR/AMEMBASSY ACCRA 1392
RUEHDS/AMEMBASSY ADDIS ABABA 1538
RUEHBY/AMEMBASSY CANBERRA 0800
RUEHDK/AMEMBASSY DAKAR 1164
RUEHKM/AMEMBASSY KAMPALA 1593
RUEHNR/AMEMBASSY NAIROBI 3997
RUEHFR/AMEMBASSY PARIS 1363
RUEHRO/AMEMBASSY ROME 2021
RUEHBS/USEU BRUSSELS
RUEHGV/USMISSION GENEVA 0663
RHEHAAA/NSC WASHDC
RUCNDT/USMISSION USUN NEW YORK 1755
RUEKJCS/JOINT STAFF WASHDC
RUEHC/DEPT OF LABOR WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RHEFDIA/DIA WASHDC//DHO-7//
RUCPDO/DEPT OF COMMERCE WASHDC
RUFOADA/JAC MOLESWORTH RAF MOLESWORTH UK//DOOC/ECMO/CC/DAO/DOB/DOI//
RUEPGBA/CDR USEUCOM INTEL VAIHINGEN GE//ECJ23-CH/ECJ5M//

C O N F I D E N T I A L SECTION 01 OF 02 HARARE 000239

SIPDIS

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AF/S FOR S. HILL
NSC FOR SENIOR AFRICA DIRECTOR B. PITTMAN
STATE PASS TO USAID FOR M. COPSON AND E. LOKEN
TREASURY FOR J. RALYEA AND T. RAND
COMMERCE FOR BECKY ERKUL
ADDIS ABABA FOR USAU
ADDIS ABABA FOR ACSS

E.O. 12958: DECL: 01/12/2016
TAGS: [EAGR](#) [EFIN](#) [PHUM](#) [PGOV](#) [ZI](#)
SUBJECT: ZIMBABWE'S CENTRAL BANK DESPERATELY TRYING TO
FINANCE GRAIN IMPORTS

REF: A. HARARE 200

[1](#)B. HARARE 195

[1](#)C. HARARE 172

Classified By: Ambassador Christopher Dell under Section 1.4 b/d

Summary

[1](#)1. (C) According to a senior official at the Reserve Bank of Zimbabwe (RBZ), Zimbabwe will likely produce less than half the country's maize requirements. South African banks were reluctant to lend to the GOZ the forex needed to finance imports so the RBZ has turned to the street, fuelling rapid depreciation of the currency. The RBZ official asked for U.S. assistance while acknowledging that the GOZ had shot itself in the foot by beating opposition politicians. End Summary.

GOZ in Desperate Search for Grain

[1](#)2. (C) Munyaradzi Kereke, Senior Advisor to RBZ Governor Gideon Gono, told econoff on March 16 that Zimbabwe would likely produce only 650,000-700,000 MT maize this year, less than half the country's requirement (Ref A). Kereke said

Governor Gono had gone to South Africa, desperately trying to negotiate bank loans to finance maize imports. However, the banks were skeptical of Zimbabwe's capacity to service any debt and reluctant to lend.

13. (C) Kereke implored the USG to assist Zimbabwe with grain but confessed that the GOZ had "shot itself in the foot - with a bazooka" in its recent reaction to opposition protests (Ref B). He hoped the international community would assist Zimbabwe regardless and noted that the Zimbabwean people were angry and hungry, and more likely than ever to take their demands to the street.

And Forex

14. (C) Kereke admitted that Gono's failure in South Africa had put the government under intense pressure to acquire the foreign exchange needed to pay for the imports. He fleetingly showed a paper dated March 14, prepared by the RBZ for Mugabe, on "Foreign Exchange Requirements and Alternate Sources of Revenue." It put Zimbabwe's current forex shortfall at US\$1.1 billion.

15. (C) In response, the RBZ has launched a major effort to acquire needed forex from the parallel market by printing Zimbabwe dollars. The RBZ's efforts are a primary reason the street price of the Zimbabwe dollar has gone from Z\$8,000:USD to Z\$20,000:USD in just three weeks (the official exchange rate remains fixed at Z\$250:USD.) The RBZ has also reportedly zeroed in on the mining sector as a source of

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foreign exchange. Zimplats CEO Greg Sebborn told us his company has come under pressure from Kereke to sell its offshore-held foreign exchange (Ref C) to the Bank to finance a "special grain import program."

Comment

16. (C) The GOZ is in a state of absolute denial if it thinks the international community is going to bail it out of its economic bind with food assistance while it is busy threatening western diplomats and physically abusing opposition politicians. As we said in Ref A, we need to provide food aid directly to those areas hardest hit rather than through the government's distribution system.
SCHULTZ